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CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

BROADCAST STATION SALES MARKET HITS SNAG

ELECTION RESULTS OFFER MIXED BAG FOR CABLE

ADVERTISING ON PAY TV UNDER STUDY

CLASSIC MOVIE SERVICES ON A ROLL

HOPES HIGH AS NEW YORK SYSTEMS GET UNDERWAY

SYSTEM MANAGERS' ROUNDTABLE: CHALLENGES INSPIRING CREATIVITY

CV 0302608027 01
EDITOR ACQUISITIONS SRI
4520 EAST WEST HWY
BETHESDA MD 20814

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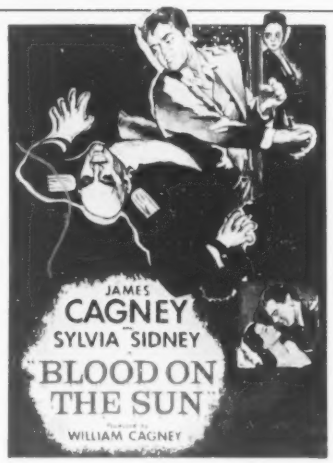

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Five system managers come together for a candid discussion of the challenges they face, including, in this first installment, the slowdown in pay and the potential of pay-per-view. Pictured on the cover, clockwise from top left, are: Kay'elen Perry, area manager of Continental's Dearborn Heights/ Westland, Mich., system;

Donald Levi, director of business operations, American Cablesystems of New York; Georgia Griffith, general manager, American Community Cablevision of Ithaca, N.Y.; Mary Cotter, regional vice president and general manger of McCaw Cablevision of Syracuse, N.Y., and Joseph Azznara, general manager, Cablevision of Connecticut.

Pay Per View Supply Chart

A listing of movies and events entering PPV distribution over the next two months.

December

At Close Range (12.15) — Source: HBO Enterprises
MPAA Rating: R — Running Time: 111 mins
Cast: Sean Penn, Christopher Walken, Mary Stuart Masterson

Blue City (12.3) — Source: Paramount
MPAA Rating: R — Running Time: 85 mins
Cast: Judd Nelson, Ally Sheedy

Cobra (12.31) — Source: Warner Bros.
MPAA Rating: R — Running Time: 87 mins
Cast: Sylvester Stallone, Brigitte Nielsen, Reni Santoni, Andrew Ble[illegible]on

Dead End Drive In (12.11) — Source: HBO Enterprises
MPAA Rating: R — Running Time: 92 mins
Cast: Ned Manning, Natalie Curry, Peter Whitford

Desert Bloom (12.1) — Source: Columbia
MPAA Rating: PG — Running Time: 106 mins
Cast: Jobeth Williams, John Voight

Fire With Fire (12.3) — Source: Paramount
MPAA Rating: PG-13 — Running Time: 104 mins
Cast: Craig Sheffer, Virginia Madsen, Kate Reid

Legend (12.1) — Source: Universal
MPAA Rating: PG — Running Time: 89 mins
Cast: Tom Cruise, Mia Sara, Tim Curry

Making Contact (12.18) — Source: HBO Enterprises
MPAA Rating: PG — Running Time: 88 mins
Cast: Joshua Morrell, Eva Kryll, Tammy Shields

Police Academy 3: Back In Training (12.29) — Source: Warner Bros.
MPAA Rating: PG — Running Time: 83 mins
Cast: Steve Guttenberg, Bubba Smith, Tim Kazurinsky, Michael Winslow

Poltergeist II (12.1) — Source: United Artists
MPAA Rating: PG — Running Time: 90 mins
Cast: Jobeth Williams, Craig T. Nelson, Heather O'Rourke

Short Circuit (12.1) — Source: Tri Star
MPAA Rating: PG — Running Time: 99 mins
Cast: Ally Sheedy, Steve Guttenberg, Fisher Stevens

Sweet Liberty (12.1) — Source: Universal
MPAA Rating: PG — Running Time: 102 mins
Cast: Alan Alda, Michael Caine, Michelle Pfeiffer

Vamp (12.1) — Source: HBO Enterprises
MPAA Rating: R — Running Time: 91 mins
Cast: Grace Jones, Gedde Wattanabe, Chris Makepeace

January

About Last Night (1.1) — Source: Tri Star
MPAA Rating: R — Running Time: 113 mins
Cast: Rob Lowe, Demi Moore

Adventures of the American Rabbit (1.21) — Source: Paramount
MPAA Rating: G — Running Time: 82 mins
Cast: Animated

Big Trouble In Little China (1.1) — Source: 20th Century Fox
MPAA Rating: PG-13 — Running Time: 99 mins
Cast: Kurt Russell, Kim Cattrall

Extremities (1.21) — Source: Paramount
MPAA Rating: R — Running Time: 90 mins
Cast: Farrah Fawcett, James Russo, Alfre Woodard

Gobots: Battle of the Rock Wards (1.21) — Source: Paramount
MPAA Rating: G — Running Time: 2 Hours
Cast: Animated

Howard the Duck (1.22) — Source: Universal
MPAA Rating: PG — Running Time: 111 mins
Cast: Lea Thompson, Jeffrey Jones

Indiana Jones and the Temple of Doom (1.1) — Source: Paramount
MPAA Rating: PG — Running Time: 118 mins
Cast: Harrison Ford, Kate Capshaw, Ke Huy Quan

Karate Kid Part II (1.29) — Source: Columbia
MPAA Rating: PG — Running Time: 109 mins
Cast: Ralph Macchio, Pat Morita

Miracles (1.1) — Source: HBO Enterprises
MPAA Rating: PG — Running Time: 90 mins
Cast: Tom Conti, Teri Garr, Christopher Lloyd

Out of Bounds (1.1) — Source: Columbia
MPAA Rating: R — Running Time: 93 mins
Cast: Anthony Michael Hall

Under the Cherry Moon (1.5) — Source: Warner Bros.
MPAA Rating: PG-13 — Running Time: 100 mins
Cast: Prince

Water (1.21) — Source: Paramount
MPAA Rating: PG-13 — Running Time: 89 mins
Cast: Michael Caine, Brenda Vaccaro, Valerie Perrine

Note: Running times are approximate.

Film information provided to International Thomson Communications Inc. by distributors.

Pay Per View Services Profile

Service:	Cable Video Store	Request Television	Telstar Channels	Viewer's Choice
Launch:	April 1, 1986	November 27, 1985	June 5, 1986	November 26, 1985
Delivery:	Satcom 3, transponder 16	Galaxy 1, transponder 12	Intermin standalone, presently testing on Telstar 301	VC-1 Satcom 3R, transponder 5 VC-2 Galaxy 1, transponder 16
Encryption:	M/A COM VideoCipher II	M/A COM VideoCipher II	Presently testing General Instrument SCarlet IV	M/A COM VideoCipher II
Programming:	All movies, 24 hours per day 50-60 titles per month	Two to four major motion pictures per week, special events	Channels 1&2: two major motion pictures on biweekly rotation. Channel 3: three major motion pictures per week, special events	One major motion picture per week, special events
Subscribers:	Field trial basis, currently serving 10 MSOs nationwide (2,500 = Impulse addressable subscribers)	Available in systems serving 2 million subs (1.4 million addressable)	Available in systems serving 74,000 subs (11,500 addressable)	Available in systems serving 2 million subs (1.6 million addressable)

COVER STORY

System managers' roundtable, Part I

Life on the firing line

A frank discussion of key issues facing cable operators from the perspectives of five system managers

The challenges of cable system management have never been greater, with the slowdown in pay, the dawning of deregulation and the issue surrounding subscriber gear topping an agenda that has as its primary focus the improvement of the public's perception of cable as an entertainment buy. All of these and related issues were on the minds of five system managers who convened in New York recently for CableVision*'s first managers' roundtable. The participants were Joseph Azznara, general manager of Cablevision Systems Development's two systems in southern Connecticut; Mary Cotter, regional vice president and general manager of McCaw's Syracuse, New York system; Georgia Griffith, general manager of American Television and Communication's cluster of Ithaca, New York franchises; Donald Levi, director of business operations for the cluster of Rockland and Westchester County systems constituting American Cablesystems of New York, and Kay'elen Perry, area manager of the Continental newbuilds in Dearborn Heights and Westland, Michigan, near Detroit. Executive Editor Fred Dawson led the discussion. Part I focuses on the questions surrounding pay and pay-per-view programming, along with the attendant issue of addressability. Part II will appear in the December 1 Western Show issue. For a quick overview of the systems discussed, see the box below.*

CV: Kay, your're seeing a dropoff in pay; you were at 295 pay to basic, now you're at 220, and you're projecting 195. What are the key factors you see in this trend and what are you doing about it?

Perry: In order to keep the bottom from coming completely out of the bucket, we're examining many opportunities. Our situation would be far worse if it weren't for the addition of Pro Am Sports Network, which is a regional sports network in the greater Detroit area. The numbers would be pretty bad. Fortunately, we were saved by the addition of that service in early 1985. So the numbers I've just given you could be substantially worse.

Cotter: How much are you charging for that?

Perry: That is $11.95 a la carte and $9.95 in a package. It's the highest priced among the services we offer. Its strong draw is the Detroit Tigers.

Cotter: Is it on only in the evenings?

Perry: Only in the evenings, and it's primarily seasonal. Now, I think we're going to see a change in that. We have already begun to see a change in it, because the group has recently contracted with the Red Wings, and we're going to have hockey through the winter. So that's holding those numbers for us, the ones we had lost last year are staying with us.

CV: So at that price, and with a baseball team that is not burning up the world. . .

Perry: You said that, not me. (Laughter.)

CV: . . .you've seen a remarkable stabilizing force from what would appear to be a rather thin reed.

Perry: We'll see how hockey does, but it's the differentiation of the product that is drawing subscribers.

CV: You see lack of differentiation as the primary factor hurting pay?

Perry: Yes. It's the perceived duplication, the same thing we run into all the time, the major blockbuster films being duplicated.

CV: Is there an opportunity in the face of these kinds of trends and in the context of the issue we raised earlier with regard to not enough channels to begin thinking about downloading some pays and making the pay part of the package much simpler with fewer choices?

Subscriber satisfaction

Azznara: I'd like to comment on that and a point that Kay raised, which is the question of differentiation. Really what we're talking about is subscriber satisfaction. Cablevision's philosophy from the onset in Connecticut was to put together packages that we felt served the needs of the entire viewing habits of the families that we were serving. Those packages were structured in such a way where we put on not only one or two strong pay services, but we also served the needs of the performing arts with Bravo and the classic movies with AMC. We added SportsChannel for the sports fan, and we have HBO, which is a foundation movie service, added Disney for children's programming. So we've put together a package that has a wide perceived value and a package that serves all the viewing needs of the family. With that package we deeply discounted the prices. Right now we call it our Rainbow packaging, and at the Rainbow level we offer six pay channels, and it's available in the $30 range. It's a very low margin sale for us. But it's a sale that we think stabilizes the pay subscriber, and it also limits the downgrading and churn activity that has been a problem throughout the industry. We don't see that philosophy changing with deregulation.

Joseph Azznara

CV: What about the other end of the supply line? What do you people in the marketplace believe could be done by the programmers themselves to make life easier for yourselves and the product more appealing to your subscribers.

Cotter: The first thing that needs to be done is to avoid programming the same movies at the same time. That would be a real good start. After that, I think the problem is product. There isn't anything really good. I get all the pay services in my home, and I pay for them all. But if I wasn't in cable, I wouldn't,

COVER STORY

The Systems At A Glance

	Joseph Azznara		Mary Cotter
	Cablevision of Connecticut	Cablevision of Southern Conn.	McCaw Cablevision of Syracuse
MSO:	Cablevision Systems Corp.	Cablevision Systems Corp.	McCaw Communications
Communities served:	Greenwich, Stamford, Darien Norwalk, Westport, Wilton, New Canaan, Weston, Easton, Redding, Conn.	Fairfield, Bridgeport, Stratford, Milford, Orange, Woodbridge, Conn.	City of Syracuse, N.Y.
Homes passed:	100,335	108,324	66,000
Basic subscribers:	61,884	63,065	38,000
Percent penetration:	61.68%	57.17%	60%
Pay units:	214,000	105,000	31,500
Pay to basic ratio:	346%	167%	83%
Channel capacity:	52	36	38

	Georgia Griffith	Donald Levi	Kay 'elen Perry
	American Community Cablevision	American Cablesystems	Continental Cablevision of Dearborn Heights/Westland
MSO:	American Television & Communications Corp.	American Cablesystems Corp.	Continental Cablevision
Communities served:	Tompkins County and Northern Tioga County, N.Y., (19 franchises).	Scarborough, Briarcliff, Chappaqua, Hawthorne, Millwood, Ossining, Pleasantville, Tarrytown, North Tarrytown, Thornwood, Valhalla, Buchanan, Crompond, Cruggers, Croton, Mohegan Lake, Montrose, Peekskill, Verplank, Garnerville, Haverstraw, Stony Point, Pomona, Theills, Tomkins Cove, West Haverstraw, N.Y.	Dearborn Heights, Westland (Metro Detroit), MI
Homes passed:	28,500	68,625	52,000
Basic subscribers:	23,700	44,959	31,000
Percent penetration:	83%	65.5%	59.6%
Pay units:	16,000	84,106	64,500
Pay to basic ratio:	61%	187.1%	207%
Channel capacity:	25	36	62

because there are a lot of nights when you look at five pay services, and there's nothing you want to watch on them, and you end up watching WTBS because they have a great movie on. And if you can bring yourself to realize that you're just typical like everybody else, why would you pay $40 for those pay services? Now, what they can do about that, I don't know.

Levi: I've always felt, going back a little bit to pay in cable maybe four or five years ago, that we were the primary root of the customer dissatisfaction with pay services, because we used to sell pays with the notion that you're going to find what you want to see when you want to see it, which is just not correct. We built an expectation among a lot of our customers—we're selling smarter now—but we built an expectation that said HBO means new movies everytime I turn on the tv, and that's patently absurd. If we sell with the idea that a movie on a pay service might be worth a couple of bucks and there are going to be a half dozen of them a month that you're going to want to see out of that 150 separate-program mix, then we're going to be tracking a little bit better.

CV: So the answer is in lowering expectations?

Levi: Lowering expectations has a negative connotation. I think we're talking about clarifying the reality of what can be delivered through the services.

Perry: But in order to do that, don't you think the pay supplier, too, has to recognize that and say, why am I filling 24 hours a day or 18 hours a day, when, in reality, the market I want is between five and midnight, and the market I'm after is major motion pictures, period, or my market is regional sports or whatever?

Mary Cotter

Better targeting

CV: What you're really talking about, Kay, is being more targeted, more specific, and throwing the bucks into the key time slots that make the most sense in terms of who's watching when.

Perry: I think that's just part of what I see as our overall obligation to provide the kinds of variety, differentiated product to keep ourselves in front of the subscribers. Recent research shows that when you sit down to watch television in the evening, first, if you're a cable subscriber, you look for the pay product. You're buying it, so you want to see what's on that first. Then you look to the basic and then to the broadcast product. If there's nothing there, what do you do? You grab the keys and go to the video store. We want to catch them before they go for the keys.

CV: You're raising a good point. The broadcast business long ago discov-

ered that the heart of its success was in prime time. The cable business doesn't appear to have discovered that. There's definitely a spreading out of resources over a longer time frame, and those are limited resources. You look at the ratings and you wonder how in the world, after so many years of developing a public perception of premium programming, hyping HBO, Showtime and the rest of the premium services, we're still seeing the dismal ratings performances in prime time by the pay services vs. the broadcast networks in cable homes. There's no comparison. People are still watching the mainstream broadcast product.

Griffith: I think that was certainly true over the last several years, but I wonder as we get into more heavily VCR'd households if that is going to be true. I don't think at this point that pay services ought to be looking at throwing their dollars at that point necessarily, because 50 percent of our market is going to have VCRs next year. Right now we're at the 40 percent level, and it's going to keep growing.

Azznara: We're at a 70 percent level in our systems right now, and what I find really astounding is that of those 70 percent, less than half of those people record with their VCRs.

CV: I was just about to say after Georgia that surveys have shown so far that recording, time shifting is remarkably limited.

Griffith: But I think that's *our* problem. I think it's where we've fallen short. We didn't even bother to find out how many people have VCRs until last year. We've got to be promoting our pay services as programs for your VCRs. We haven't done it well; we don't have the answers yet. But I think that has to be part of it.

Perry: I don't think the pay services are as radical in their thinking as possibly they should be.

Rethinking pricing

Azznara: I think the suppliers need to participate more in regard to promoting their services. I also think that they, in some cases, need to rethink how they're pricing themselves. As I mentioned earlier, with the packaging we have in place, we're really discounting that value to subscribers, and in some cases suppliers have participated in that discount. In others, the suppliers haven't. I think that is hurting them. If they're going to compete head on and they are looking for a viewing share, they need to be positioned properly and promoted properly. And I think their rate structure needs to reflect that, in some cases. When there is the dissatisfaction that was mentioed earlier, where the customer has gone through the channels, can't find something to watch and is reaching for the keys to go to the video store, we're going to have to prevent that. It's going to be done in two ways. One is the differentiation of programming, and the second is through pay-per-view. That pay-per-view choice may, in fact, have an impact on pay units penetration, as we have measured it in the past. We may be talking about it quite differently in the future.

Levi: I'm inclined to agree. I think pay-per-view can give us a better way to treat a VCR customer. Really, care and feeding of the VCR is something we've been marketing to for a while, as have a lot of other MSOs and programming suppliers as well—TMC with their late

Georgia Griffith

night video showings. We really have to go further with that. I think using access to train people in using their machines is one approach. Our installation time in VCR households is double to triple that in other households, because people don't know how to fine tune these things. Most people really don't know how to use what they have purchased, and until we get over that hurdle, whether it's through the manufacturing side or through the cable side or through a third party, I think we're going to be batting our heads against the wall.

Scheduling conflicts

CV: What about on the pay supplier side?

Levi: I think they have to work harder on their schedules. Clearly, there's nothing worse—and I have four pay services at home—than finding the same film on at 8 o'clock prime time. I think the pay services have come a long way. They don't roll everything out in the first three days of the month anymore. Their schedules are staggered a little bit. Their carryovers don't seem to be quite as extreme.

We're packaging so that it gets a lot of pay services into the house. Here's where you throw in two more pays at the five-pay level. We're giving people bulk and hoping that within that bulk we're going to hit some buttons and deliver some of the programming that they want and, in essence, make the whole package stick. I don't think we're going to come off that philosophy long term. I think we just have to see that the overall quality of programming doesn't deteriorate. How many summertime beach-bunny movies can people really watch?

CV: Let's look at where you folks think pay-per-view fits in the picture. Does it have a significant role in working out of the premium service dilemmas?

Azznara:We're looking toward pay-per-view to attract additional subscribers that normally wouldn't or didn't subscribe for whatever reason to one of our discounted packages to try to service those needs. Our research has shown that pay-per-view purchases, with the exception of some of the special events we talked about earlier, really come from the two ends of the spectrum. You have your high users that really purchase just about anything you put before them. And you have your very low users who don't see the value in subscribing to a pay service but who would like to purchase the product on an occasional basis. So we're looking at two different types of pay-per-view subscriber.

Revenues from sampling

Perry: Why not a pay-only customer? It occurs to me that possibly this is the time when creative thinking, creative marketing approaches, testing new ideas is going to have to save our lives. By repackaging our basic services and filling up our channels, by taking advantage of some previous service opportunities that we've never had before—these are the things that will support us and carry us through this next many years and increase subscriber satisfaction. The retentative value of premium services and basic services that are not duplicated to the extent they are now is high. There is an increased perception of value. But in our case, being an addressable system, sampling is also a revenue opportunity.

CV: Have you activated that opportunity yet?

Perry: We haven't done it intentionally. It's one of the side benefits of

launching these addressable systems. It was a completely unique experience for us in Michigan, having had the only addressable systems that Continental operates in the state. So it was new to all of us. But the sampling has increased the installation income substantially. It hasn't been a deterrent to the sampling process. In our system, for a subscriber to add a premium service the rate is $9.95. Typically, however, we have a discounted promotion special offer in place, and that rate is more like $5. What if we say for an additional $1 a month or an additional $2 a month we'll allow you to change premium services once each calendar month? What if we try to attack the "nevers" the "untouchables" by offering only premium services, put a converter in the house, offer pay services, don't pass along the basic services? Let them get what they want off the air, but sell to them just PASS or just pay-per-view opportunities or just an HBO.

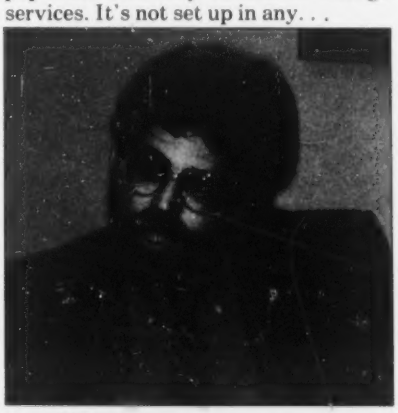
Levi: I haven't heard a whole lot about pay-per-view from the perspective that is currently developing within American Cablesystems. We've seen some really remarkable things at certain sites. Newburyport is a good example where we've developed a pay-per-view club; we've used one of the more different pay-per-view services, the Jerrold Cable Store. In fact, we've rolled it out to the entire system just this month. But in the test market we marketed to two specific categories of customer. One was the pay-resistant, basic-only customer, and the other was the multipay customer. And we found something that sounds almost like a dream that with the multipay customer pay-per-view can be the glue to make multipays stick. A customer who is willing to pay two, three, four dollars for a single film is a much easier sell when you're offering him 150 programs on an HBO, for example, for seven or eight dollars a month. In the same vein, the basic-only customer, whether they have downgraded to basic or have always been basic, seems to have a much higher buy rate than some of the mid-range customers. So it seems that pay-per-view, while it may not be any kind of saviour, it can certainly enhance the perceived value of a lot of what we sell.

CV: That's exactly what Joe said. He's finding that the buyers are either the people who take everything or the people who take very little.

Cotter: Isn't that a bit contrary to the national reports, the national research that indicates. . .

Levi: But you have to look at what programming is being offered in those systems where the national data is generated. It just seems to me that we can do an awful lot with what we have. The buy rates in this particular market, in Newburyport, have pushed up to being equal to or greater than something in the range of one and a half incremental pay services per pay-per-view household. We don't count it in our pay-to-basic rates at this time, but we may in the future. And that also feeds into what you were talking about with regard to spin encouragement in addressable systems. We charge $5 for addressable change of service, and we do very little to discourage those sorts of changes, as long as we're maintaining a level of pay. I mean we will obviously try, if a customer says I'd like to drop my sports channel, to keep him on it.

CV: So you simply charge five bucks a pop whenever they choose to change services. It's not set up in any. . .



Donald Levi

Levi: No, but it could well be packaged as an option. And it feeds the pay-per-view kind of mentality, which I think might very well be a good direction for us to spend some serious time investigating.

Refinements or major shift?

Perry: What the subscribers really want to do is be able to look at this card and say, I want these five channels and how much will it cost. I may want it tonight, but I may not want it tomorrow night.

CV: Isn't this supposed to be the promise of cable television. . . ?

Perry: And we seem to be putting ropes around ourselves.

CV: Do you feel, from the standpoint of dealing with your headquarters, that companies are being fairly aggressive with taking full advantage of technology to exploit the market potentials of cable, or is there a pretty tight rein on purse strings and a hold on experimentation?

Griffith: Well, as far as ATC is concerned, I think with the advent of our decentralized operations a couple of years ago, certainly in the larger markets there has been a lot more experimentation. And even within the National Division, which carries the medium sized and smaller systems, what we're part of, it's encouraged. It's encouraged in a controlled way, but we are encouraged to control ourselves, to do our financials, to make sure we know where we're going, how we're going to measure the experiment along the way. Our news project is one of the examples. So is our involvement in pay-per-view or X*Press or anything else. We've got to know where we're going, why we're going, how flexible we're going to be and how we're going to measure our flexibility and our progress. But it's encouraged. I think it's encouraged more at the smaller system level, because you can lose less money. (Laughter.) We haven't been in that position yet, thank goodness, and I hope we never are.

CV: Kay, where do you stand with pay-per-view? Are you just getting into it?

Perry: Yes. We're introducing a multichannel pay-per-view test. You asked earlier what the corporate position was or how they were supporting tests. I honestly can't tell you, because I don't know how our corporate office feels about it. Continental is a very, very decentralized organization. We have difficulty, in fact, doing things the same as other systems even within the same state. We make many of our own decisions at the local level and certainly at the district level. The investment analysis is done at the system and district levels. As far as the support is concerned, though, Continental has recently, within the past two years, put together a development fund, financial resources that we can draw upon on application to the corporate office, to help fund some of the tests that we feel should be conducted, which is a great opportunity. In fact, at this point, we have applied for this multichannel pay-per-view test.

CV: Many of the MSOs that we talk to have expressed a good deal of reluctance to plunge into addressability just because there are so many problems with the logistics, and yet we're also looking at it from your perspectives, at the need for getting to what it is that makes the cable product the maximum market value that you need to, as you put it, Kay, survive. And this goes back to the question I'm asking regarding corporate support. Georgia,

just to visit briefly with your situation and what you were saying earlier with regard to your ability to experiment, is the ATC rap on addressability holding you back or making life difficult for you?

Griffith: No, it hasn't, because we launched addressability and launched it to all our pay tier subs before ATC backed away from addressability, and it's working well. We've far surpassed the projections for our market, which is fine, and certainly ATC isn't going to back off something like that. I don't know how it will affect what we do in refranchising and rebuilding. Certainly it will make it easier for us to operate if our entire system is addressable, with addressable basics as well as addressable everything else. We haven't gotten to the point of running numbers yet; so I don't know, and therefore we haven't really discussed it with any of the corporate people. We will in the next six months. It hasn't held us back yet, and I don't think it will if we can show the right numbers. And because we are about two thirds addressable right now we have been able to do some things that other people haven't been able to do, like pay-per-view.

CV: Don, your company has been pretty gung ho with all this from the beginning, and yet you have the same problems to deal with that everybody else does.

Levi: I think that some of the enthusiasm relative to addressability has cooled off within our company. In fact, as I mentioned earlier, we're looking toward putting addressable converters where they'll pay back, not where they're simply a convenience for us. The idea originally was fair control of non-pay disconnects and quicker, more economical changes of service. These were the driving forces behind addressability at American initially. Pay-per-view was still a dream when we started buying addressable converters. Now we've found that in the systems where we have some unscrambled channels and we're leaning toward more unscrambled channels, that the addressable disconnect is laughable. The addressable customer says, good, stop my billing, and I'll unhook that wire from the converter and I'll hook it right to the TV, and I'll get whatever is trapped and whatever is unscrambled.

I see in New York with American fewer addressable conveters over time rather than more, but each of those converters being an incremental revenue source. And we don't need addressables for revenue from remotes. Pay-per-view is a good one, but, in my opinion, you don't have to make every customer a potential pay-per-view customer. I think some interest has to be expressed on their part before we spend the capital dollars to put addressable hardware into the home. So I see us more unscrambling, packaging, perhaps going to a non-converter service that includes a pay or two. I like what I've seen happening in a lot of places with services like Bravo and AMC.

Electronics problems

CV: Mary, how is your system handling the basic electronics problems and questions?

Cotter: We're 50 percent addressable. I think if we could do it all over again we might not do that. I really think that if there is a way to not have any equipment in the home. . . it really causes us to be unfriendly. We have trained all of

Kay'elen Perry

our technicians to help the subscribers hook up their VCRs, to show them how to use them. I think that as a company one of the problems we have right now is that we don't know what the equipment is going to be in a couple of years. Right now you can add sidecar units on, but once you get those all on, what's the next thing?

So I think that we listened two years ago, and now we're saying, okay, now we're going to wait and let Joe try it out and see how it works. (Laughter.) If it works real well, maybe we'll go with it. That's where we are. We have found, unlike Don, that one of the main advantages of addressability is in collections. We turn that off and they are in there that next day to pay up. It really helps us a lot.

CV: That raises a question in my mind. Is it possible, in systems that have gone addressable, that the problems are obscuring the advantages in some ways, where the advantages are now incorporated into the buiness-as-usual syndrome and taken for granted and the hassles are always on the agenda, always there to deal with and fight with?

Cotter: It's hard when you look at the bottom line to remember that the $95 piece of equipment helped collect the bill six months ago. You're really looking at revenue that came because the subscriber had that, but you're not tracking it that way.

CV: Instead, you're looking at all the truck rolls that it took to fix the damn thing. Joe, your company, of course, is an aggressive one in this area. How are you reading this whole electronics hassle?

Azznara: I come from a company where, particularly, Chuck Dolan has been very innovative trying to put together very aggressive marketing and packaging concepts. My experience with the company over the last nine years has been that the concepts are always running far ahead of the technology as opposed to technology running ahead of us. The pay-per-view concept, for example, is something I think Mr. Dolan would have liked to have launched earlier, and we still feel that we're on the cutting edge there. But he's always in the position where he's got a number of things, new ideas that he'd like to test. And the technology, in some aspects, has held us back.

Connecticut, from the outset, was an addressable franchise commitment, and I think that it's a commitment we have lived up to. And now in 1987, going forward, we'll be making it available on a 100 percent basis, even to our basic subscribers. So we're very deeply committed to it, and we're in a position on that capital expenditure that's already in place. So, from our applications viewpoint, the technology has been lagging behind the marketing ideas. Even right now we are finding delivery problems regarding the equipment. We've launched a service that has been tested on a limited basis but hadn't been tested on a widescale basis, but we have the confidence that we can make it work.

I think overall there is a cost of going addressable and operating an addressable system, but it's a manageable cost. It's a cost that's hard to identify exactly. But we found that our service call rates in an 80 percent addressable system are no higher than in some of our older properties. Maybe what it has really told us is that operating a system is more of a technical challenge and something we have to focus on even greater to offset some of the costs associated with addressability. ■

Cable services subscriber count

Satellite-fed national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	236	4,600,000
Alternate View Network	206	2,500,000
American Music & Entertainment Network	26	500,000
Arts & Entertainment (A&E)	2,200	19,700,000
Black Entertainment Television (BET)	590	14,000,000
Cable News Network (CNN)	9,386	33,100,000
Cable Value Network	20	200,000
C-SPAN	2,300	25,250,000
C-SPAN II	286	7,600,000
CBN Cable Network	7,260	32,338,000
CNN	7,215	35,834,000
Consumer Discount Network	NA	1,000,000
Country Music Television	438	6,200,000
The Discovery Channel	932	9,500,000
ESPN	13,878	36,900,000
Eternal Word Television Network (EWTN)	314	4,800,000
Financial News Network (FNN)	1,360	22,300,000
Headline News	2,222	29,760,000
Hit Video USA	41	1,700,000
Home Shopping Network	324	8,000,000
Innovations In Living (HSN2)	15	2,000,000
International Television Network	5	622,000
The Learning Channel	775	7,000,000
Liberty Broadcasting Network	90	1,300,000
Lifetime	2,987	25,800,000
Music Television (MTV)	4,269	30,700,000
The Nashville Network	3,770	26,600,000
National Jewish Television (NJTV)	247	5,569,000
Nickelodeon	4,501	29,000,000
PTL The Inspirational Network	1,300	13,000,000
Rock Christian Network	9	886,000
Silent Network	206	6,800,000
SIN Television Network	383	33,673,300
TelShop	640	10,000,000
Tempo Television	640	12,500,000
Trinity Broadcasting Network	444	6,304,000
USA Network	6,500	33,000,000
Video Hits One	1,189	14,100,000
Video Shopping Mall	NA	NA
The Weather Channel	2,200	22,000,000
WGN-TV	8,825	21,376,000
WOR-TV	1,999	8,669,134
WPIX-TV	239	2,412,000
WTBS-TV	8,373	37,582,000
Pay services		
American Movie Classics	270	1,000,000
Bravo	251	350,000
Cinemax	3,300	3,700,000
The Disney Channel	2,958	2,550,000
GalaVision	234	183,000
Home Box Office (HBO)	6,900	14,600,000
Home Theater Network (HTN)	350	300,000
The Movie Channel	3,250	3,250,000
The Nostalgia Channel	175	700,000
The Playboy Channel	580	732,000
Private Ticket	4	NA
Showtime	3,200	5,400,000
Audio services		
Cable Radio Network	24	1,500,000
JazzAmerica	N/A	N/A
KKGO Super Jazz	11	98,521
Moody Bible Institute	70	923,102
Satellite Radio Network	251	740,000
Seeburg Lifestyle	151	2,465,000
Seeburg Lifestyle Adult Contemporary	25	536,000
Tempo Sound	300	1,000,000
WFMT Chicago	161	1,259,000
Text services		
AP News Cable	275	3,600,000
AP News Plus	60	1,500,000
Cable SportsTracker	25	2,051,000
DBC MarketWatch	50	NA
Electronic Program Guide (EPG)	282	5,581,000
EPG Jr.	71	69,873
Genesis Cable Storytime	26	1,033,000
Reuters News View	325	3,250,000
TV Decisions	145	5,450,000
UPI Data Cable	450	4,000,000
X*Press	60	1,000

Basic services	Affiliates	Subscribers

Non-satellite-fed national services

Bicycled services	Affiliates	Subscribers
Cable Auto Showcase	5	400,000
Fuji Network	5	11,044
Nippon Golden Network	5	11,044
Vector Consumer News	12	325,000
Vector Consumer Shopping Guide	15	407,000

Regional entertainment services

Basic services	Affiliates	Subscribers
Atlanta Interfaith	7	150,000
Bay Area Religious Channel (BARC)	4	113,000
Buffalo Sabres Hockey	9	400,000
Cable TV Network of New Jersey	37	1,185,000
The Ecumenical Channel	7	148,000
KTVT	122	1,877,000
Life Newsvision	24	36,000
Madison Square Garden	68	2,000,000
Meadows Racing Network	14	446,000
MetroChannel	1	118,000
Prime Ticket	199	1,500,000
SportsVision (Chicago)	37	520,000
Texas Cable Network	15	646,000
Pay services		
Dodgervision	44	935,000
Home Sports Entertainment — Houston Dallas	115	200,000
Home Team Sports	76	334,000
New England Sports Network	145	166,421
PRISM: Philadelphia	90	370,000
Pro-Am Sports	110	112,000
SportsChannel (New England)	110	228,900
SportsChannel (New York)	66	562,000
Z Channel	20	93,575

Announced services

Satellite-fed services	Expected Launch
America's Shopping Channel	4th Quarter 1986
American Catalog Shopper's Network	3-87
American Family Network	12-86
Apollo Entertainment Television	TBA
The Book Channel	TBA
Cable Shopper's Network (Jewelcor)	4th Quarter 1986
Comedy Television	4th Quarter 1986
Crazy Eddie World Of Home Entertainment Shopping Network	11-86
Discovery Computer Network	1987
Discovery Financial Network	1987
El Canal Musical	TBA
Ethnic Radio Networks	4th Quarter 1986
EventTelevision	1st Quarter 1987
International Business Network	1st Quarter 1987
Let's Go Shopping Network	4th Quarter 1986
Magicable	TBA
Movie Time	1-87
PreView Channel	1st Quarter 1987
The Preview Network	2-87
QVC Network	1-87
Sky Merchant	1-87
TWA Travel Channel	2-87
Tunnelvision	10-87
Video Shopping Center (Telstar)	1-87
World Travel Network	1st Quarter 1987

Note: Figures for affiliate and subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Attention Cable Stats, P.O. Box 5208-T.A., Denver, CO 80217.
NA denotes not available.
TBA denotes to be announced.